

RRI-LEADERS 1st Policy Learning Workshop
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Innovation and Regions

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Why worry about innovation and regions?

- ❖ **Innovation** has received increased priority to address not only productivity gaps, but also societal challenges in the move towards smart, sustainable, inclusive societies
- ❖ **Regions** are called as innovation mobilisers in their countries. Two moves: attention to territories in national innovation policies; more stress on innovation in regional development policies
- ❖ The adoption of **broader concept of innovation** gives a chance to regions that are not at technology frontier
 - How to organise **complementarity/synergies** between policies at various levels of government?
 - How **effective** are innovation policies by, for, in regions?

Rationale for regional innovation policy

- ❖ **Proximity matters** for knowledge flows, because of tacit dimension: capitalising on localised knowledge spillovers, lower transaction costs, social capital: nurturing the innovation eco-system
- ❖ **Indivisibilities** imply economies of scale and different levels of intervention for activities with different degree of indivisibility
- ❖ Empirical evidence on **regional disparities** and uneven geography of innovation (agglomeration trend): need for differentiated approaches
- ❖ Regional governments are closer to actors in the field: reducing the **information gap** for managing some innovation support instruments (networks...)

Lessons from OECD empirical analyses

- ❖ Disparities are not simply a function of development phase, both convergence and divergence appear at all levels of GDP
- ❖ Supporting lagging regions is not just a “social” policy as they contribute a large share of national growth
- ❖ Infrastructure influences growth only when human capital and innovation are present: complementarities are at play
- ❖ Opportunities for growth exist in various types of regions
- ❖ Policy interventions should be informed by sound understanding of regional sources and barriers for growth
- ❖ R&D and innovation policies are long-term policies

Smart Specialisation Strategies: Serious responses to 3 serious shortcomings in regional innovation policies

1. Fragmentation of public investments for innovation
2. Missed opportunities in cross-border innovation (policies)
3. Weak strategic approaches

Key questions for smart specialisation strategies in the “first wave”

How can regions select appropriate focus domains for policy action?

How can different stakeholders be motivated to engage?

Prioritization

Stakeholder Engagement

Multilevel Governance

Integrated Policy

Evidence-Based Policy

Cross-border Collaboration

How can the actions at different levels of government be aligned?

What data and indicators can be used to support robust policy choices?

How can individual policies be coordinated to increase their combined impact?

How can government policies be aligned with the economically relevant regions?

1. Response to fragmentation/duplication of public investments for innovation

Concentrate on key areas of regional strength to ensure leverage. Five criteria:

- 1. New markets - future potential (cross-sectors)**
- 2. Distinctive economic potential in region**
- 3. Distinctive education and research potential or linkages to external RDI sources**
- 4. Innovation ecosystem – structural linkages & synergies**
- 5. Regional challenges – political endorsement**

2. Towards 'borderless' innovation policies

1. The need for **borderless content** of innovation policies

“Hidden” forms of innovation, beyond R&D-driven innovation, should be stimulated through mixes of instruments from various policy areas: education, S&T, environment, infrastructure, etc.

2. The need for **borderless territory** for innovation policies

Innovation does not stop at administrative borders: cross-border collaborations in policies are called for to target functional areas
RIS are not “small NIS”: complementarities need to be ensured between policies and instruments at various levels

Benefits from cross-border innovation

Typical challenges for regional innovation systems	Expected benefits from cross-border cooperation in innovation
Fragmentation: lack of synergies and various mismatches	Diversity: Wider pool of actors enhancing the chances to build relevant synergies for innovation
Lock in: inertia in industrial and knowledge specialisations	Direction: Identification of new diversification paths for economy
Lack of external attractiveness, skills and capital shortages	Density: Higher regional attractiveness thanks to “knowledge hub” branding & critical mass

3. Weak strategic approaches

S3 as **experimental** policies need to be coupled with policy learning mechanisms and policy intelligence tools

1. Robust, ongoing, independent **analysis** of investment priorities, articulated with stakeholders' inputs
2. Integrated & effective **policy mixes** (broad view across policy domains, requiring policy coordination)
3. **Strategically managed** policies and agencies , with exit strategies
4. Impact-oriented **monitoring** practices
5. **Evaluation** – integrated in policy cycle, addressing S3 relevance and effectiveness
6. **Capacity/innovation** in public sector! A key issue in less-favoured regions

Key Challenges for implementing Smart Specialisation Strategies

Main challenge: Translate broad strategies into efficient and integrated policy mixes

Main bottlenecks to effective implementation of S3:

1. Policy-makers resistance to:
 - Long-term investments (returns beyond 4-year legislature...)
 - Genuine prioritisation (selection and de-selection!) – coping with lobbies and vested interests...
 - Cross-domains, cross-level and cross-border policies
2. Little evidence to identify “white spaces” between sectors, clusters, poles,...
3. Need for more robust, systematic and systemic policy evaluations₁₁

Sustainable Smart Specialisation Strategies the “second wave”

Main challenge: Innovation for transformation
Societal challenges-driven innovation policies (>< techno-driven)

- Conform: do things better
- Reform: do better things
- Transform: see things differently*

Key characteristics of transformative innovation policies :

1. Directionality: clear articulation of outcome (“mission”)
2. Whole of government – cross-domain – system change
3. Multidisciplinarity
4. Experimentation and learning (new policy intelligence!)
5. High-impact project portfolios
6. Societal engagement and co-creation: incorporate problem-owners
7. Agents of change: Who? Combining participation and true change?